

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2837-01
BILL NO.: HB 2092
SUBJECT: Contracts and Contractors
TYPE: Original
DATE: March 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)**, **Office of the State Auditor (SAU)**, **Office of the Attorney General (AGO)**, **Department of Economic Development (DED)**, **Office of Administration - Division of Accounting (COA)**, **Department of Higher Education (CBH)**, **Department of Mental Health (DMH)**, **Department of Elementary and Secondary Education (DES)**, **Office of State Courts Administrator (CTS)**, **Department of Transportation (DHT)**, **Department of Public Safety - Division of Fire Safety (DFS)**, **Department of Public Safety - Water Patrol**, **Department of Public Safety - Division of Highway Safety (DHS)** and the **Department of Public Safety - Division of Liquor Control** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Health (DOH)** and the **Department of Public Safety (DPS)** assume this proposal could result in a fiscal impact on their agencies, but cannot determine the extent of fiscal impact. This is related to problems with the new statewide accounting system that was implemented this fiscal year. However, it is anticipated the new system will ultimately allow bills to be processed in a more timely fashion.

Officials from the **Department of Revenue (DOR)** assume the proposed legislation would result in a possible \$0 fiscal impact to a slightly negative unknown. The DOR assumes it pays bills on time; however, it is possible one could be missed.

Officials from the **Department of Natural Resources (DNR)** assume this proposal allows vendors to assess a late payment penalty against the state for supplies and services for which the state has not made payment. The department assumes that payment to vendors will be timely as outlined in this bill and therefore, does not anticipate a fiscal impact from this proposal.

Officials from the **Missouri Department of Conservation (MDC)** and the **Department of Agriculture (AGR)** assume the proposed legislation could have fiscal impact on their agencies, but the amount is unknown.

Officials from the **Department of Social Services (DOS)** assume the actual cost of this legislation is unknown. In prior years, the DOS has averaged well under the 30 day turnaround on paying invoices and in the coming year, it expects to return to an average which would not be subject to late charges. In the first eight months of FY 00, DSS paid only \$373 in late charges. To annualize those charges and increase it to reflect the higher rate would imply a \$1,400 cost. However, increasing the late charge rate would certainly increase these charges, but it is unknown as to how many would claim the charge and it is uncertain on what date the interest

ASSUMPTION (continued)

would begin to accrue and it is unknown how many of the payments would be late. For example, if it is assumed 10% of the vendors who have potential claims would actually make claims under the new law and assume 50% of DSS purchases are more than 45 days in arrears, the costs of the proposal could result in \$166,000 in late charges (\$167.6 m total annual purchases x 50% in arrears over 30 days = \$83.8 m late payments; \$83.8 m x 10% vendors claiming late charge = \$8.3 m purchases claimed late; \$8.3 m x 2% late charge = \$166,000).

Officials from the **Office of Prosecution Services (OPS)** and the **Department of Corrections (DOC)** did not respond to our fiscal note request.

Oversight assumes state agencies would comply with the requirements in this proposal and therefore, no fiscal impact would result. However, if noncompliance resulted, any penalties due would be absorbed within that agency's existing resources. Additionally, **Oversight** assumes problems associated with late payment of invoices that could be attributed to the new statewide accounting system should decrease and issues should be resolved, since the new system will have been in place more than a year upon the effective date of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	0	0	0
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	0	0	0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal. However, if certain agencies did not comply, there could be an increase in revenues due to penalties and interest that may be imposed on late vendor payments.

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DESCRIPTION

This bill requires the state to pay a late payment penalty to vendors for supplies and services which the state has not made payment on. After 30 days following the later of the date of delivery of the supplies and services or the date upon which the invoice is approved and processed, a penalty of 2% of the amount due the vendor must be paid for every 30-day period thereafter in which the vendor is not paid. The penalty may not exceed 18% in one year.

SOURCES OF INFORMATION

Department of Insurance
Office of the State Auditor
Office of the Attorney General
Department of Economic Development
Office of Administration - Division of Accounting
Department of Higher Education
Department of Mental Health
Department of Elementary and Secondary Education
Office of State Courts Administrator
Department of Transportation
Department of Public Safety - Division of Fire Safety
Department of Public Safety - Water Patrol
Department of Public Safety - Division of Highway Safety
Department of Public Safety - Division of Liquor Control
Department of Health
Department of Public Safety
Department of Revenue
Department of Natural Resources
Missouri Department of Conservation
Department of Agriculture
Department of Social Services

NOT RESPONDING: Office of Prosecution Services, Department of Corrections



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Director
March 14, 2000

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